All Home Centers

Income Statement Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Number of Stores	127	30	38
Net Sales Volume	$3,412,005	$3,137,709	$4,111,457
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+11.58%	+ 1.43%	+17.94%
Gross Sales	101.96%	101.89%	101.50%
Less: Total Deductions	1.96	1.89	1.50
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	72.63	70.70	72.73
Margin Before Purchase Rebate or Patronage Dividend	27.37	29.30	27.27
Purchase Rebate or Patronage Dividend	.18	.33	.09
Margin After Purchase Rebate or Patronage Dividend	27.55	29.63	27.36
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.64	2.93	3.49
Salaries/Wages — Other Employees	9.90	12.19	8.34
Federal and State Payroll Taxes	1.07	1.13	1.02
Group Insurance	.53	.71	.42
Benefit Plans	.49	.49	.45
Total Payroll and Other Employee Expense	14.63	17.46	13.73
Occupancy Expense			
Heat, Light, Power, Water	.64	.88	.46
Building Repairs and Maintenance	.34	.29	.31
Rent or Ownership in Real Estate**	2.19	2.41	1.62
Total Occupancy Expense	3.17	3.58	2.40
Other Costs of Doing Business			
Office Supplies and Postage	.40	.44	.35
Advertising and Promotion	1.76	2.21	1.04
Donations	.04	.02	.04
Telephone and Telegraph	.24	.23	.19
Bad Debts	.34	.41	.18
Credit Card Expense (Bank Charges)	.13	.12	.08
Delivery (Other than Wages)	.52	.60	.50
Leasing Expenses (Non-Occupancy)	.21	.47	.08
Insurance (Other than Real Estate and Group)	.61	.62	.64
Taxes (Other than Real Estate and Payroll)	.50	1.19	.26
Interest (Other than Real Estate)	1.03	1.45	.93
Depreciation (Other than Real Estate)	.82	.87	.92
Store and Shop Supplies	.22	.26	.24
Legal and Accounting	.26	.27	.24
Computer Services and Expenses (Other than Wages)	.16	.37	.09
Dues and Subscriptions	.05	.08	.03
Travel, Buying, Entertainment	.18	.14	.20
Miscellaneous Services (Laundry, Disposal, Etc.)	.05	.14	.04
Unclassified Expenses	.98	.72	1.21
Total Other Costs of Doing Business	8.49	10.62	7.25
Total Operating Expenses	26.29	31.66	23.37
Operating Profit or Loss	1.26	-2.03	3.98
Other Income	1.57	1.45	1.62
Net Operating Profit or Loss (Before Income Taxes)	2.83	- .58	5.60

*As reported to us by The Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

All Home Centers

Balance Sheet Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Total Dollar Assets	$1,284,291	$1,196,894	$1,680,902
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.04	3.73	6.32
Notes and Installment Contracts Receivable	1.04	1.43	.53
Accounts Receivable	24.28	16.76	27.97
Merchandise Inventory (End of Year)	39.62	43.72	36.22
Other Current Assets	1.56	2.64	1.05
Total Current Assets	71.54	68.28	72.09
Stocks and Bonds	1.68	2.65	.95
Real Estate (Not Used In Bus.)	2.04	2.76	.08
Other Investments	4.78	6.42	3.40
Total Investments	8.51	11.84	4.43
Land (Owned and Used In Bus.)	2.20	2.32	1.92
Buildings (Owned and Used In Bus. Less Depre.)	5.61	5.53	5.63
Leasehold Improvements (Less Amortization Allowance)	1.56	1.72	1.10
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	3.19	3.23	2.41
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.50	.93	1.87
Other Fixed Assets	5.88	6.14	10.54
Total Fixed Assets	19.95	19.88	23.47
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	14.67	16.89	10.75
Current Portion of Notes Payable	9.32	9.78	12.21
Accrued Payroll Taxes	.30	.43	.20
Accrued Other Taxes	1.85	1.20	2.66
Other Accrued Expenses	2.65	2.10	3.12
Other Current Liabilities	2.64	2.37	1.89
Total Current Liabilities	31.43	32.76	30.84
Notes Due Partners/Officers	1.72	2.55	.68
Mortgage Payable	2.19	3.09	.99
Long Term Debt	16.25	20.31	11.81
Other Long Term Liabilities	.81	.14	.26
Total Long Term Liabilities	20.97	26.08	13.74
Total Liabilities	52.40	58.84	44.58
Net Worth	47.60	41.16	55.42
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	15.79%	-3.69%	24.71%
Active Owner's Return	30.54%	14.97%	40.12%
Current Asset Ratio	2.28x	2.08x	2.34x
Quick Asset Ratio	1.00x	.70x	1.22x
Total Debt to Tangible Net Worth	110.09%	142.95%	80.44%
Stock Turn Times	4.92x	4.12x	5.26x
Sales to Inventory Ratio	6.78x	5.83x	7.23x
Average Inventory per Sq. Ft. Sales Area	$32.43	$29.75	$34.23
Net Sales to Accounts Receivable	10.94x	15.65x	8.74x
Net Sales to Total Assets	2.66x	2.62x	2.45x
Net Sales to Net Worth	5.58x	6.37x	4.41x
Net Sales to Net Working Capital	3.86x	3.98x	3.48x
Other Operating Data			
Credit Sales — % of Total Gross Sales	47.42%	52.79%	77.07%
Consumer Sales — % of Total Gross Sales	52.25%	57.42%	38.55%
Selling Area — Square Feet	15,055	17,551	15,732
Sales Per Square Foot — Selling Area	$226.63	$178.77	$261.35
Total Area — Square Feet	35,105	36,954	47,114
Sales Per Square Foot — Total Area	$89.91	$69.51	$84.51
Sales Per Person Employed	$136,719	$100,319	$150,661
Sales Per Customer	$33.27	$26.81	$56.57

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.
††Defined as the top twenty-five percent of all contributors based on Net Profit.

Sales Volume Size

Income Statement Data	$1,000,000 To $2,999,999	$3,000,000 To $4,999,999	Sales $5,000,000 Or More
Number of Outlets	59	50	17
Net Sales Volume	$1,827,599	$3,985,201	$7,369,009
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	4.64%	10.47%	19.09%
Gross Sales	102.50%	101.96%	101.51%
Less: Total Deductions	2.50	1.96	1.51
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.30	72.25	74.35
Margin Before Purchase Rebate or Patronage Dividend	28.70	27.75	25.65
Purchase Rebate or Patronage Dividend	.31	.20	.05
Margin After Purchase Rebate or Patronage Dividend	29.01	27.95	25.70
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.32	2.56	3.05
Salaries/Wages — Other Employees	11.13	10.23	8.35
Federal and State Payroll Taxes	1.01	1.16	.98
Group Insurance	.46	.55	.55
Benefit Plans	.49	.52	.44
Total Payroll and Other Employee Expense	15.41	15.02	13.37
Occupancy Expense			
Heat, Light, Power, Water	.82	.74	.33
Building Repairs and Maintenance	.30	.45	.21
Rent or Ownership in Real Estate**	3.31	2.11	1.33
Total Occupancy Expense	4.44	3.30	1.87
Other Costs of Doing Business			
Office Supplies and Postage	.36	.47	.32
Advertising and Promotion	1.95	2.12	1.02
Donations	.04	.03	.04
Telephone and Telegraph	.27	.25	.20
Bad Debts	.29	.43	.21
Credit Card Expense (Bank Charges)	.12	.16	.11
Delivery (Other Than Wages)	.47	.56	.48
Leasing Expenses (Non-Occupancy)	.12	.36	.05
Insurance (Other Than Real Estate and Group)	.78	.57	.54
Taxes (Other Than Real Estate and Payroll)	.52	.64	.26
Interest (Other Than Mortgages)	1.13	1.01	.96
Depreciation (Other than Real Estate)	.87	.62	1.08
Store and Shop Supplies	.30	.18	.21
Legal and Accounting	.27	.25	.26
Computer Services and Expenses (Other Than Wages)	.17	.19	.11
Dues and Subscriptions	.07	.05	.03
Travel, Buying, Entertainment	.19	.14	.23
Miscellaneous Services (Laundry, Disposal, etc.)	.07	.06	.04
Unclassified Expenses	.79	.91	1.26
Total Other Costs of Doing Business	8.79	8.99	7.42
Total Operating Expenses	28.62	27.31	22.66
Operating Profit or Loss	.39	.64	3.04
Other Income	1.96	1.67	1.02
Net Operating Profit or Loss (Before Income Taxes)	2.36	2.31	4.06

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Figures may not add to totals indicated because of rounding.

Sales Volume Size

Balance Sheet Data	$1,000,000 To $2,999,999	$3,000,000 To $4,999,999	Sales $5,000,000 Or More
Total Dollar Assets	$804,279	$1,321,167	$2,880,066
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.64	4.87	4.71
Notes and Installment Contracts Receivable	.84	1.60	.16
Accounts Receivable	15.94	22.24	35.30
Merchandise Inventory (End of Year)	47.15	38.95	33.38
Other Current Assets	1.63	1.64	1.41
Total Current Assets	71.20	69.30	74.96
Stocks and Bonds	1.74	2.82	.11
Real Estate (Not Used in Bus.)	.22	4.71	.24
Other Investments	6.75	5.16	2.39
Total Investments	8.71	12.69	2.73
Land (Owned and Used in Bus.)	2.55	2.57	1.25
Buildings (Owned and Used in Bus. Less Depre.)	7.46	5.81	3.45
Leasehold Improvements (Less Amortization Allowance)	2.06	1.83	.72
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.74	2.71	2.35
Delivery Equipment (Owned and Used in Bus. Less Depre.)	2.19	1.64	.62
Other Fixed Assets	1.09	3.43	13.91
Total Fixed Assets	20.09	18.01	22.31
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	13.28	16.39	13.80
Current Portion of Notes Payable	4.68	9.18	14.07
Accrued Payroll Taxes	.55	.23	.15
Accrued Other Taxes	1.03	2.24	2.15
Other Accrued Expenses	2.01	2.35	3.70
Other Current Liabilities	2.05	3.85	1.41
Total Current Liabilities	23.60	34.24	35.28
Notes Due Partners/Officers	2.43	2.06	.61
Mortgage Payable	4.05	1.56	1.25
Long Term Debt	14.49	20.33	12.42
Other Long Term Liabilities	.33	1.56	.27
Total Long Term Liabilities	21.30	25.51	14.54
Total Liabilities	44.90	59.74	49.83
Net Worth	55.10	40.26	50.17
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	9.72%	17.32%	20.69%
Active Owner's Return	19.28%	36.48%	36.27%
Current Asset Ratio	3.02x	2.02x	2.12x
Quick Asset Ratio	1.02x	.87x	1.14x
Total Debt to Tangible Net Worth	81.50%	148.41%	99.30%
Stock Turn Times	3.50x	5.72x	5.61x
Sales to Inventory Ratio	4.91x	7.92x	7.54x
Average Inventory per Sq. Ft. Sales Area	$29.27	$27.15	$58.82
Net Sales to Accounts Receivable	14.26x	13.56x	7.25x
Net Sales to Total Assets	2.27x	3.02x	2.56x
Net Sales to Net Worth	4.12x	7.49x	5.10x
Net Sales to Net Working Capital	3.29x	4.61x	3.48x
Other Operating Data			
Credit Sales — % of Total Gross Sales	61.72%	38.58%	61.16%
Consumer Sales — % of Total Gross Sales	61.15%	59.77%	34.10%
Selling Area — Square Feet	13,372	16,052	18,265
Sales Per Square Foot — Selling Area	$136.67	$248.27	$403.45
Total Area — Square Feet	23,845	45,001	46,016
Sales Per Square Foot — Total Area	$63.50	$84.57	$153.72
Sales Per Person Employed	$111,240	$133,797	$176,101
Sales Per Customer	$17.14	$35.22	$82.92

Sales Floor Size

Income Statement Data	Sales Area Under 14,999 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Number of Stores	84	16	27
Net Sales Volume	$2,895,386	$4,029,406	$4,653,395
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+11.54%	+ 6.01%	+ 7.09%
Gross Sales	102.43%	102.76%	100.58%
Less: Total Deductions	2.43	2.76	.58
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.00	75.03	70.68
Margin Before Purchase Rebate or Patronage Dividend	27.00	24.97	29.32
Purchase Rebate or Patronage Dividend	.12	.18	.31
Margin After Purchase Rebate Or Patronage Dividend	27.12	25.15	29.63
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.31	2.72	3.24
Salaries — Other Employees	9.87	9.17	10.34
Federal and State Payroll Taxes	.96	1.09	1.27
Group Insurance	.44	.73	.59
Benefit Plans	.61	.32	.35
Total Payroll and Other Employee Expense	14.18	14.03	15.79
Occupancy Expense			
Heat, Light, Power, Water	.64	.57	.68
Building Repairs and Maintenance	.37	.29	.32
Rent or Ownership in Real Estate**	2.48	1.23	2.10
Total Occupancy Expense	3.49	2.09	3.10
Other Costs of Doing Business			
Office Supplies and Postage	.42	.40	.35
Advertising and Promotion	2.06	1.41	1.35
Donations	.04	.03	.04
Telephone and Telegraph	.26	.25	.21
Bad Debts	.37	.54	.17
Credit Card Expense (Bank Charges)	.13	.10	.15
Delivery (Other Than Wages)	.45	.97	.42
Leasing Expenses (Non-Occupancy)	.21	.57	.03
Insurance (Other Than Real Estate and Group)	.61	.54	.66
Taxes (Other Than Real Estate and Payroll)	.33	.74	.70
Interest (Other Than Real Estate)	.87	1.19	1.25
Depreciation (Other Than Real Estate)	.70	.82	1.03
Store and Shop Supplies	.18	.12	.35
Legal and Accounting	.25	.21	.31
Computer Services and Expenses (Other Than Wages)	.13	.30	.16
Dues and Subscriptions	.05	.07	.05
Travel, Buying, Entertainment	.18	.15	.19
Miscellaneous Services (Laundry, Disposal, etc.)	.04	.05	.08
Unclassified Expenses	.96	.47	1.28
Total Other Costs of Doing Business	8.23	8.94	8.79
Total Operating Expenses	25.90	25.06	27.68
Operating Profit or Loss	1.22	.09	1.95
Other Income	1.78	1.69	1.09
Net Operating Profit or Loss (Before Income Taxes)	3.00	1.78	3.04

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Figures may not add to totals indicated because of rounding.

Sales Floor Size

Balance Sheet Data	Sales Area Under 14,999 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Total Dollar Assets	$1,009,865	$1,634,918	$2,141,999
		% of Total Assets	
Assets			
Cash On Hand and In Bank	4.49	4.09	6.44
Notes and Installment Contracts Receivable	1.33	.39	.89
Accounts Receivable	24.61	25.89	23.08
Merchandise Inventory (End of Year)	41.94	40.63	35.48
Other Current Assets	1.15	1.85	1.99
Total Current Assets	73.51	72.85	67.87
Stocks and Bonds	1.35	1.38	2.32
Real Estate (Not Used in Bus.)	2.57	1.01	1.58
Other Investments	5.05	5.69	3.87
Total Investments	8.97	8.09	7.77
Land (Owned and Used in Bus.)	2.81	3.01	.77
Buildings (Owned and Used in Bus. Less Depre.)	5.59	5.21	5.71
Leasehold Improvements (Less Depre.)	2.51	.32	.62
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.34	2.67	1.58
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.85	1.34	1.01
Other Fixed Assets	.42	6.52	14.66
Total Fixed Assets	17.52	19.06	24.35
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	16.25	17.20	10.71
Current Portion of Notes Payable	6.09	9.74	14.37
Accrued Payroll Taxes	.39	.19	.19
Accrued Other Taxes	1.76	1.85	2.02
Other Accrued Expenses	2.01	2.33	3.92
Other Current Liabilities	3.34	3.46	1.06
Total Current Liabilities	29.84	34.77	32.27
Notes Due Partners/Officers	1.41	2.08	2.02
Mortgage Payable	3.52	2.24	
Long Term Debt	19.20	13.40	12.63
Other Long Term Liabilities	.12	1.05	1.68
Total Long Term Liabilities	24.25	18.77	
Total Liabilities	54.09	53.54	48.60
Net Worth	45.91	46.46	51.40
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	18.72%	9.42%	12.85%
Active Owner's Return	33.15%	23.86%	26.56%
Current Asset Ratio	2.46x	2.09x	2.10x
Quick Asset Ratio	.97x	.93x	1.00x
Total Debt to Tangible Net Worth	117.84%	115.25%	94.56%
Stock Turn Times	4.84x	4.71x	5.16x
Sales to Inventory Ratio	6.63x	6.28x	7.36x
Average Inventory per Sq. Ft. Sales Area	$41.30	$34.79	$18.61
Net Sales to Accounts Receivable	11.65x	9.52x	9.41x
Net Sales to Total Assets	2.87x	2.46x	2.17x
Net Sales to Net Worth	6.25x	5.31x	4.23x
Net Sales to Net Working Capital	4.09x	3.55x	6.10x
Other Operating Data			
Credit Sales — % of Total Gross Sales	44.97%	64.27%	45.91%
Consumer Sales — % of Total Gross Sales	53.63%	52.09%	49.72%
Selling Area — Square Feet	11,635	16,156	25,045
Sales Per Square Foot — Selling Area	$248.86	$249.40	$189.42
Total Area — Square Feet	31,431	46,875	39,560
Sales Per Square Foot — Total Area	$84.61	$84.62	$108.21
Sales Per Person Employed	$142,019	$137,705	$132,311
Sales Per Customer	$26.94	$35.19	$47.61

Type of Origin

Income Statement Data	Originally Hardware Store	Originally Lumber/ Building Materials Outlet	Organized As A Home Center
Number of Stores	22	74	10
Net Sales Volume	$2,187,945	$4,088,689	$2,759,069
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+ 7.58%	+14.99%	+ 6.32%
Gross Sales	101.91%	102.25%	100.72%
Less: Total Deductions	1.91	2.25	.72
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	69.39	73.62	67.63
Margin Before Purchase Rebate or Patronage Dividend	30.61	26.38	32.37
Purchase Rebate or Patronage Dividend	.07	.19	.23
Margin After Purchase Rebate or Patronage Dividend	30.68	26.57	32.61
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.18	2.31	1.50
Salaries/Wages — Other Employees	11.24	9.18	13.11
Federal and State Payroll Taxes	.88	1.04	1.46
Group Insurance	.34	.55	.24
Benefit Plans	.42	.51	.79
Total Payroll and Other Employee Expense	15.05	14.18	17.10
Occupancy Expense			
Heat, Light, Power, Water	.96	.53	1.10
Building Repairs and Maintenance	.31	.36	.46
Rent or Ownership in Real Estate**	4.08	1.84	3.51
Total Occupancy Expense	5.35	2.73	5.08
Other Costs of Doing Business			
Advertising and Promotion	1.64	1.72	2.31
Insurance (Other Than Real Estate or Group)	.71	.59	.50
Taxes (Other Than Real Estate or Payroll)	.47	.30	2.00
Interest (Other Than Real Estate)	.89	.97	1.14
Depreciation (Other Than Real Estate)	.70	.81	1.04
All Other Expenses	3.75	3.67	3.46
Total Other Costs of Doing Business	8.16	8.07	10.44
Total Operating Expenses	28.56	24.98	32.63
Operating Profit or Loss	2.12	1.58	- .02
Other Income	1.99	1.57	1.59
Net Operating Profit or Loss (Before Income Taxes)	4.11	3.15	1.57
Financial Performance			
Profit on Investment	16.06%	18.30%	17.93%
Active Owner's Return	24.57%	35.20%	35.07%
Current Asset Ratio	3.15x	2.23x	1.91x
Quick Asset Ratio	1.21x	1.06x	.45x
Total Debt to Tangible Net Worth	70.35%	113.82%	206.82%
Stock Turn Times	3.97x	5.42x	4.84x
Sales to Inventory Ratio	5.72x	7.36x	7.16x
Average Inventory per Sq. Ft. Sales Area	$34.23	$33.69	$21.88
Net Sales to Accounts Receivable	16.90x	9.63x	26.93x
Net Sales to Total Assets	2.30x	2.72x	3.73x
Net Sales to Net Worth	3.91x	5.81x	11.43x
Net Sales to Net Working Capital	3.56x	3.87x	5.28x
Other Operating Data			
Credit Sales — % of Total Gross Sales	82.60%	46.03%	43.88%
Consumer Sales — % of Total Gross Sales	56.59%	49.59%	82.07%
Selling Area — Square Feet	14,091	15,105	19,914
Sales Per Square Foot — Selling Area	$155.27	$270.68	$138.55
Total Area — Square Feet	28,386	39,989	33,321
Sales Per Square Foot — Total Area	$75.46	$95.86	$82.80
Sales Per Person Employed	$111,574	$154,385	$88,716
Sales Per Customer	$17.82	$44.76	$27.88

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Figures may not add to totals indicated because of rounding.

Trade Area Size

Income Statement Data	Metropolitan Statistical Areas	Cities 10,000 To 50,000 Pop.	Towns Under 10,000 Pop.
Number of Stores	35	39	51
Net Sales Volume	$4,185,603	$3,238,235	$3,011,682
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+16.64%	+ 6.98%	+10.67%
Gross Sales	100.57%	101.94%	103.38%
Less: Total Deductions	.57	1.94	3.38
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	72.15	71.95	73.63
Margin Before Purchase Rebate or Patronage Dividend	27.85	28.05	26.37
Purchase Rebate or Patronage Dividend	.09	.37	.12
Margin After Purchase Rebate or Patronage Dividend	27.94	28.42	26.49
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.96	2.41	1.55
Salaries/Wages — Other Employees	8.55	11.47	9.75
Federal and State Payroll Taxes	1.04	1.09	1.12
Group Insurance	.49	.63	.48
Benefit Plans	.47	.57	.46
Total Payroll and Other Employee Expense	14.52	16.16	13.36
Occupancy Expense			
Heat, Light, Power, Water	.53	.73	.68
Building Repairs and Maintenance	.25	.33	.46
Rent or Ownership in Real Estate**	1.65	2.35	2.60
Total Occupancy Expense	2.44	3.41	3.75
Other Costs of Doing Business			
Advertising and Promotion	1.37	1.87	2.06
Insurance (Other Than Real Estate or Group)	.62	.64	.57
Taxes (Other Than Real Estate or Payroll)	.47	.68	.36
Interest (Other Than Real Estate)	1.22	1.13	.81
Depreciation (Other Than Real Estate)	.98	.86	.63
All Other Expenses	3.85	3.79	3.70
Total Other Costs of Doing Business	8.52	8.98	8.12
Total Operating Expenses	25.48	28.54	25.24
Operating Profit or Loss	2.47	- .12	1.25
Other Income	.78	1.54	2.36
Net Operating Profit or Loss (Before Income Taxes)	3.25	1.42	3.61
Financial Performance			
Profit on Investment	18.99%	8.31%	18.72%
Active Owner's Return	42.18%	22.41%	26.78%
Current Asset Ratio	2.04x	2.24x	2.60x
Quick Asset Ratio	1.01x	.90x	1.06x
Total Debt to Tangible Net Worth	129.55%	112.20%	95.34%
Stock Turn Times	4.93x	4.91x	4.90x
Sales to Inventory Ratio	6.83x	6.82x	6.66x
Average Inventory per Sq. Ft. Sales Area	$35.32	$29.23	$35.79
Net Sales to Accounts Receivable	8.41x	13.28x	12.61x
Net Sales to Total Assets	2.55x	2.76x	2.65x
Net Sales to Net Worth	5.85x	5.85x	5.18x
Net Sales to Net Working Capital	3.50x	4.03x	4.08x
Other Operating Data			
Credit Sales — % of Total Gross Sales	63.32%	52.45%	40.30%
Consumer Sales — % of Total Gross Sales	36.68%	57.10%	61.32%
Selling Area — Square Feet	16,443	17,354	12,278
Sales Per Square Foot — Selling Area	$254.55	$186.59	$245.28
Total Area — Square Feet	43,771	36,900	28,642
Sales Per Square Foot — Total Area	$85.11	$79.97	$103.45
Sales Per Person Employed	$160,901	$118,147	$144,076
Sales Per Customer	$38.88	$24.90	$34.53

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Store Location: Part I

Income Statement Data	Downtown	Suburban	Rural
Number of Stores	27	75	14
Net Sales Volume	$3,319,216	$3,753,279	$2,258,221
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+ 9.40%	+13.72%	+ 8.37%
Gross Sales	101.45%	102.20%	102.30%
Less: Total Deductions	1.45	2.20	2.30
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.74	73.18	71.98
Margin Before Purchase Rebate or Patronage Dividend	28.26	26.82	28.02
Purchase Rebate or Patronage Dividend	.11	.18	.27
Margin After Purchase Rebate or Patronage Dividend	28.37	27.00	28.29
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.88	2.34	2.52
Salaries/Wages — Other Employees	9.72	9.68	10.49
Federal and State Payroll Taxes	1.13	1.06	1.40
Group Insurance	.56	.55	.45
Benefit Plans	.65	.43	.72
Total Payroll and Other Employee Expense	15.95	14.06	15.57
Occupancy Expense			
Heat, Light, Power, Water	.58	.64	.59
Building Repairs and Maintenance	.41	.32	.48
Rent or Ownership in Real Estate**	2.12	2.08	2.53
Total Occupancy Expense	3.12	3.05	3.59
Other Costs of Doing Business			
Advertising and Promotion	1.52	1.86	1.65
Insurance (Other Than Real Estate or Group)	.49	.60	.82
Taxes (Other Than Real Estate or Payroll)	.43	.51	.34
Interest (Other Than Real Estate)	1.16	.99	.95
Depreciation (Other Than Real Estate)	.64	.87	.82
All Other Expenses	4.35	3.69	3.16
Total Other Costs of Doing Business	8.60	8.52	7.76
Total Operating Expenses	27.67	25.62	26.92
Operating Profit or Loss	.70	1.38	1.37
Other Income	1.62	1.51	2.19
Net Operating Profit or Loss (Before Income Taxes)	2.32	2.89	3.56
Financial Performance			
Profit on Investment	10.73%	18.62%	14.30%
Active Owner's Return	28.69%	33.74%	24.40%
Current Asset Ratio	2.42x	2.13x	2.55x
Quick Asset Ratio	1.04x	.95x	.99x
Total Debt to Tangible Net Worth	88.56%	130.85%	77.68%
Stock Turn Times	4.29x	5.31x	3.88x
Sales to Inventory Ratio	5.98x	7.26x	5.39x
Average Inventory per Sq. Ft. Sales Area	$35.06	$32.50	$30.49
Net Sales to Accounts Receivable	11.01x	10.51x	10.94x
Net Sales to Total Assets	2.15x	2.79x	2.26x
Net Sales to Net Worth	4.63x	6.45x	4.02x
Net Sales to Net Working Capital	3.53x	4.05x	3.31x
Other Operating Data			
Credit Sales — % of Total Gross Sales	72.98%	44.20%	44.28%
Consumer Sales — % of Total Gross Sales	44.65%	52.95%	60.75%
Selling Area — Square Feet	14,881	15,458	13,536
Sales Per Square Foot — Selling Area	$223.05	$242.81	$166.83
Total Area — Square Feet	59,581	29,665	30,753
Sales Per Square Foot — Total Area	$51.55	$123.81	$67.19
Sales Per Person Employed	$111,502	$146,462	$113,316
Sales Per Customer	$37.56	$33.51	$28.81

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Store Location: Part II

Income Statement Data	Shopping Centers	Free-Standing No Stores Adjacent	Free-Standing Stores Nearby
Number of Stores	14	35	69
Net Sales Volume	$1,940,927	$3,596,999	$3,740,418
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+ 8.01%	+ 8.11%	+13.80%
Gross Sales	102.89%	101.62%	102.07%
Less: Total Deductions	2.89	1.62	2.07
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	68.08	75.19	72.04
Margin Before Purchase Rebate or Patronage Dividend	31.92	24.81	27.96
Purchase Rebate or Patronage Dividend	.30	.22	.13
Margin After Purchase Rebate or Patronage Dividend	32.21	25.03	28.09
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.34	2.30	2.78
Salaries/Wages — Other Employees	11.65	9.26	9.83
Federal and State Payroll Taxes	1.40	1.09	1.08
Group Insurance	.63	.52	.53
Benefit Plans	.29	.44	.54
Total Payroll and Other Employee Expense	17.30	13.61	14.75
Occupancy Expense			
Heat, Light, Power, Water	1.10	.56	.63
Building Repairs and Maintenance	.30	.27	.41
Rent or Ownership in Real Estate**	4.10	1.23	2.35
Total Occupancy Expense	5.51	2.06	3.38
Other Costs of Doing Business			
Advertising and Promotion	2.68	1.47	1.77
Insurance (Other Than Real Estate and Group)	.64	.59	.59
Taxes (Other Than Real Estate and Payroll)	.06	.45	.53
Interest (Other Than Real Estate)	1.36	1.26	.88
Depreciation (Other Than Real Estate)	1.06	.74	.82
All Other Expenses	3.85	3.75	3.75
Total Other Costs of Doing Business	9.66	8.27	8.34
Total Operating Expenses	32.47	23.94	26.47
Operating Profit or Loss	- .26	1.09	1.62
Other Income	1.34	1.54	1.65
Net Operating Profit or Loss (Before Income Taxes)	1.08	2.63	3.27
Financial Performance			
Profit on Investment	5.68%	13.29%	18.99%
Active Owner's Return	23.24%	24.88%	35.17%
Current Asset Ratio	2.80x	2.30x	2.19x
Quick Asset Ratio	.61x	1.16x	.96x
Total Debt to Tangible Net Worth	119.92%	110.86%	107.51%
Stock Turn Times	3.32x	5.03x	5.25x
Sales to Inventory Ratio	4.88x	6.68x	7.28x
Average Inventory per Sq. Ft. Sales Area	$27.41	$35.29	$30.71
Net Sales to Accounts Receivable	23.26x	8.53x	11.38x
Net Sales to Total Assets	2.39x	2.39x	2.80x
Net Sales to Net Worth	5.26x	5.05x	5.81x
Net Sales to Net Working Capital	3.88x	3.29x	4.19x
Other Operating Data			
Credit Sales — % Total Gross Sales	45.21%	57.49%	42.86%
Consumer Sales — % of Total Gross Sales	74.96%	47.71%	51.98%
Selling Area — Square Feet	16,367	14,346	15,433
Sales Per Square Foot — Selling Area	$118.59	$250.74	$242.36
Total Area — Square Feet	31,222	39,537	37,963
Sales Per Square Foot — Total Area	$62.16	$87.35	$95.42
Sales Per Person Employed	$102,540	$144,379	$139,408
Sales Per Customer	$11.65	$33.01	$42.34

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Number of Stores

Income Statement Data	Single Store Business	2-4 Stores	5 Stores Or More
Number of Stores	64	23	40
Net Sales Volume	$3,406,289	$2,683,961	$3,839,776
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+ 8.20%	+ 3.14%	+19.09%
Gross Sales	102.66%	100.31%	101.62%
Less: Total Deductions	2.66	.31	1.62
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.93	69.98	71.85
Margin Before Purchase Rebate or Patronage Dividend	26.07	30.02	28.15
Purchase Rebate or Patronage Dividend	.23	.30	.06
Margin After Purchase Rebate or Patronage Dividend	26.31	30.33	28.21
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.30	2.25	3.28
Salaries/Wages — Other Employees	10.13	11.54	8.92
Federal and State Payroll Taxes	.99	1.40	1.06
Group Insurance	.53	.62	.48
Benefit Plans	.50	.54	.45
Total Payroll and Other Employee Expense	14.45	16.36	14.19
Occupancy Expense			
Heat, Light, Power, Water	.54	.98	.65
Building Repairs and Maintenance	.27	.55	.37
Rent or Ownership in Real Estate**	2.25	1.87	2.22
Total Occupancy Expense	3.06	3.41	3.23
Other Costs of Doing Business			
Advertising and Promotion	1.55	1.76	2.05
Insurance (Other Than Real Estate or Group)	.62	.69	.57
Taxes (Other Than Real Estate or Payroll)	.34	1.50	.33
Interest (Other Than Real Estate)	.95	1.30	1.03
Depreciation (Other Than Real Estate)	.83	.80	.81
All Other Expenses	3.75	3.84	3.80
Total Other Costs of Doing Business	8.04	9.90	8.57
Total Operating Expenses	25.55	29.67	26.00
Operating Profit or Loss	.76	.66	2.22
Other Income	1.95	1.24	1.16
Net Operating Profit or Loss (Before Income Taxes)	2.71	1.90	3.37
Financial Performance			
Profit on Investment	13.74%	8.95%	24.01%
Active Owner's Return	25.43%	19.59%	47.34%
Current Asset Ratio	2.45x	2.34x	2.02x
Quick Asset Ratio	1.11x	.96x	.86x
Total Debt to Tangible Net Worth	93.24%	96.64%	151.80%
Stock Turn Times	4.98x	4.31x	5.13x
Sales to Inventory Ratio	6.73x	6.17x	7.14x
Average Inventory Per Sq. Ft. Sales Area	$33.26	$24.76	$36.57
Net Sales to Accounts Receivable	10.47x	13.06x	10.92x
Net Sales to Total Assets	2.63x	2.40x	2.83x
Net Sales to Net Worth	5.07x	4.72x	7.12x
Net Sales to Net Working Capital	3.70x	3.63x	4.21x
Other Operating Data			
Credit Sales — % of Total Gross Sales	61.10%	47.62%	25.99%
Consumer Sales — % of Total Gross Sales	50.73%	60.23%	51.21%
Selling Area — Square Feet	15,210	16,309	14,088
Sales per Square Foot — Selling Area	$223.95	$164.57	$272.57
Total Area — Square Feet	35,255	34,565	35,175
Sales per Square Foot — Total Area	$87.14	$77.65	$101.29
Sales per Person Employed	$134,458	$89,483	$165,864
Sales per Customer	$29.46	$27.69	$40.25

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Store Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Stores	52	75
Net Sales Volume	$4,052,662	$2,967,816
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+14.49%	+ 8.68%
Gross Sales	101.64%	102.26%
Less: Total Deductions	1.64	2.26
Net Sales	100.00%	100.00%
Cost of Goods Sold	72.86	72.41
Margin Before Purchase Rebate or Patronage Dividend	27.14	27.59
Purchase Rebate or Patronage Dividend	.14	.23
Margin After Purchase Rebate or Patronage Dividend	27.28	27.82
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	3.20	2.11
Salaries/Wages — Other Employees	9.26	10.51
Federal and State Payroll Taxes	.99	1.15
Group Insurance	.59	.47
Benefit Plans	.53	.45
Total Payroll and Other Employee Expense	14.58	14.68
Occupancy Expense		
Heat, Light, Power, Water	.46	.81
Building Repairs and Maintenance	.28	.41
Rent or Ownership in Real Estate**	1.78	2.57
Total Occupancy Expense	2.52	3.78
Other Costs of Doing Business		
Advertising and Promotion	1.24	2.25
Insurance (Other Than Real Estate or Group)	.60	.62
Taxes (Other Than Real Estate or Payroll)	.41	.59
Interest (Other Than Real Estate)	1.19	.88
Depreciation (Other Than Real Estate)	.99	.65
All Other Expenses	3.87	3.67
Total Other Costs of Doing Business	8.30	8.67
Total Operating Expenses	25.40	27.14
Operating Profit or Loss	1.87	.68
Other Income	1.51	1.62
Net Operating Profit or Loss (Before Income Taxes)	3.39	2.30
Financial Performance		
Profit on Investment	18.84%	12.88%
Active Owner's Return	36.66%	24.70%
Current Asset Ratio	2.11x	2.49x
Quick Asset Ratio	1.02x	.96x
Total Debt to Tangible Net Worth	119.51%	101.11%
Stock Turn Times	4.89x	4.96x
Sales to Inventory Ratio	6.70x	6.85x
Average Inventory Per Sq. Ft. Sales Area	$40.91	$27.78
Net Sales to Accounts Receivable	8.39x	15.35x
Net Sales to Total Assets	2.53x	2.79x
Net Sales to Net Worth	5.56x	5.60x
Net Sales to Net Working Capital	3.51x	4.25x
Other Operating Data		
Credit Sales — % of Total Gross Sales	72.25%	34.01%
Consumer Sales — % of Total Gross Sales	30.87%	69.95%
Selling Area — Square Feet	14,502	15,439
Sales per Square Foot — Selling Area	$279.46	$192.23
Total Area — Square Feet	43,463	29,310
Sales per Square Foot — Total Area	$84.48	$95.50
Sales per Person Employed	$154,793	$126,711
Sales per Customer	$57.36	$25.29

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Departmental Sales

Many Bottom Line contributors provided detailed information on sales, margins, inventory and space occupied by major departments found in home centers.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Bottom Line Report shows 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90.0% of the stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other home centers which also carry that department.

The Bottom Line also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a home center carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Building Materials.

Assume The Bottom Line indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Building Materials	50.0%

The total of these percents equals 95.0. Now divide the total (95.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{95.0}$	= 15.8%
Hand Tools	$\frac{10.0}{95.0}$	= 10.5%
Paint & Home Decorating	$\frac{20.0}{95.0}$	= 21.1%
Building Materials	$\frac{50.0}{95.0}$	= 52.6%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for home center operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) GMROI is expressed as an index. Lawn and Garden's GMROI, for example is 2.10 which means $2.10 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give home center operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of selling area. Individual home center operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

 ©National Retail Hardware Association/Home Center Institute

Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	8.9	8.8	13.2	155.21	8.9	8.8	13.2
Hand Tools	100.0	3.1	3.8	3.4	170.87	3.1	3.8	3.4
Power Tools & Accessories	100.0	3.8	3.6	3.7	203.09	3.8	3.6	3.7
Plumbing, Heating & Cooling	100.0	5.8	8.4	7.1	151.23	5.8	8.4	7.1
Electrical Supplies	100.0	4.3	6.0	4.9	142.74	4.3	6.0	4.9
Paint & Home Decorating	100.0	6.0	12.8	6.8	127.01	6.0	12.8	6.8
Lumber	89.3	30.4	13.9	27.9	490.75	28.7	13.5	23.2
Building Materials	95.5	27.4	19.6	26.6	399.08	25.9	18.9	23.9
Lawn & Garden	89.3	5.6	6.4	5.8	163.40	4.9	5.5	4.7
Housewares	46.4	4.0	19.2	6.4	58.15	1.2	7.5	2.1
Automotive Supplies	40.2	2.0	5.4	3.5	90.39	.5	1.9	1.3
Major Appliances & Home Entertainment	22.3	6.1	8.5	5.9	121.28	1.2	2.1	1.1
Sporting Goods & Outdoor Living	27.7	2.4	4.4	2.7	NA	.4	1.4	.5
Miscellaneous Goods	75.0	8.0	7.6	5.5	247.16	5.3	5.8	4.1
						100.0	100.0	100.0

*Includes inside sales area only.

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	37.2	5.5	2.06
Hand Tools	34.6	6.0	2.07
Power Tools & Accessories	29.6	5.6	1.66
Plumbing, Heating & Cooling	35.5	5.0	1.79
Electrical Supplies	36.4	5.3	1.94
Paint & Home Decorating	35.5	6.2	2.19
Lumber	23.4	9.4	2.20
Building Materials	25.1	8.7	2.18
Lawn & Garden	31.6	6.6	2.10
Housewares	27.5	3.5	.95
Automotive Supplies	24.6	3.4	.85
Major Appliances & Home Entertainment	20.9	4.8	1.00
Sporting Goods & Outdoor Living	24.5	3.4	.85
Miscellaneous Goods	30.6	8.6	2.65

APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio
—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".
—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".
—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".
—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
—Computed by dividing Net Sales by Average Inventory; expressed in "times".
—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area
—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.
—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".
—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
—Computed by dividing Net Sales by Total Assets; expressed in "times".
—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".
—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".
—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area
—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
—Measures sales productivity.

Sales Per Sq. Ft. — Total Area
—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)
—Computed by taking gross margin percentage times sales to inventory ratio.
—Considers both margin and turnover.
—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.

Increase Profits With SALES TRAINING

Employees educated in sales and customer relations skills will provide service that results in high sales and increased profits. Now you can train your employees to sell and assist customers effectively on a limited budget.

The new NRHA video training series, "Selling Skills and Customer Relations," is both effective *and* inexpensive. This new series is based on videotaped instruction by the industry's top trainer, Bill Sharp, and has student workbooks to increase employee participation. It can be used for individual study or for group training sessions.

Each of the nine video modules contains actual selling situations and demonstrates problem solving activities right on the sales floor. The nine lessons, each about one hour long, are:

- ☐ Psychology and benefits of selling
- ☐ Greeting the customer
- ☐ Probing questions
- ☐ Dealing with angry customers
- ☐ Presentation and demonstration
- ☐ Overcoming objections
- ☐ Closing the sale
- ☐ Add-on or suggestion selling
- ☐ Telephone courtesy and sales

As each employee completes the course, you will send his or her final test to NRHA for grading, correction and issuing a certificate of completion.

This educational program is available to association members for only $395 for the complete package of video tapes, five workbooks and one Leader's Guide. Extra workbooks are only $10 each. Choose from VHS and Beta format.

Give your employees the advantage of the best available sales training on the market today. Give yourself the opportunity to increase do-it-yourself sales today!

NRHA National Retail Hardware Association

770 N. High School Road Indianapolis, Indiana 46224-7690 (317) 248-1261

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GET THE FACTS

Today's do-it-yourself retailer cannot rely on "seat of the pants" judgment when making critical marketing and planning decisions.

NRHA's Marketing Research Department has assisted hundreds of hardware, home center, and lumber building material retailers in better penetrating the do-it-yourself market through the development of stronger, more effective marketing plans.

You need the answers to questions concerning your image, market potential, expansion, new store development, site location, advertising, future markets before making critical marketing plans.

Before you plan — Get the Facts!

Contact: Retail Consulting Services
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THE 1987 PROFIT REPORT

For
DIY Lumberyards

National Retail Hardware Association
Comprised of twenty-one regional and state hardware associations and Canada

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August 31, 1987

To Retailers Serving Do-It-Yourself Consumers:

Every year National Retail Hardware Association undertakes a major research project that provides details on the innermost workings of stores just like yours.

The results give margin and expense figures that allow any retailer to compare his own store with stores like his, and find the areas that hold the most opportunity to increase profit and return on investment.

Again this year the association has completed this project with research among three different types of "do-it-yourself" retailer outlets--hardware stores, home centers, and lumber-building material outlets.

Fortunately, ours is not an industry with extreme annual fluctuations in store performance. However, there are continual changes that provide an "early warning" to the direction in which our industry is moving.

On an individual store basis, it is most important that these reports allow you to see how well you are doing in comparisons with other stores, to see where your performance ranks in the whole spectrum of stores like yours.

It is not enough to be "better than average" in an industry where average performance is unacceptable. Look at figures in comparison with the "high profit" stores, and see if you are in this category.

If not, by examining the comparative figures in detail you can spot those areas where improved performance can best improve profitability and return on investment.

If you provided financial data to NRHA to support this study, you have already received a confidential computer analysis comparing your results to the average of all reporting stores in your category. If you did not take part this year, plan to do so in 1988 to get this helpful report.

NRHA is deeply indebted to all retailers who provided the information that makes this study possible.

Very truly yours,

DAVID LOVING
Managing Director

DL/dc

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Prepared By:
Marketing Research Department

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Introduction

THE PROFIT REPORT

The 1987 Profit Report presents financial operating data for consumer oriented lumber and building materials retailers. To be included, a lumber/building materials outlet must actively pursue and derive a portion of total sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The Report is designed to fulfill several objectives:

- To assess financial performance of lumber/building materials operations in 1986
- To provide comparative financial data to enable retailers to measure their performance against industry averages
- To provide a frame of reference for profit planning enabling lumber/building materials retailers to continually improve performance levels.

Additionally, the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail lumber/building material industry.

Four Major Sections

The Profit Report is divided into four major sections: Historical Trends for 1982 through 1986; The Strategic Profit Model; Average Operating Results for 1986; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Profit Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in retail lumber/building materials outlets. The percent of net sales, sales floor and inventory are outlined both for handling firms only and for an average outlet. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Outlet

Many factors influence a lumber/building materials outlet's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Trade Area Size
—Outlet Location
—Number of Outlets
—Outlet Orientation

Methodology

The Profit Report is made possible only through the cooperation of the retail lumber/building materials men and women who provide detailed information on their operations. Questionnaires were sent to lumber/building materials operators in February, 1987. Three hundred and twenty-three usable returns were received by June 15, 1987 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Marketing Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was keypunched by a service bureau and then processed by NRHA's data processing department.

As thanks for their participation, each lumber/building materials operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other outlets in the same sales volume, sales floor size and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to the The Profit Report are The Management Report for retail hardware stores and The Bottom Line for home centers.

For Assistance

Assistance and aid in interpreting The 1987 Profit Report may be obtained from your regional Hardware Association or the National Retail Hardware Association.